

Information

Rec'd 11/25/83
from Commerce

For additional information please contact
CONNIE HOLMES: 202/463-2654 or
TONY ANTHONY: 202/463-2651

FOR IMMEDIATE RELEASE
Tuesday, November 22, 1983

INCREASED COAL TRADE A PRIORITY ISSUE
IN U.S.-JAPAN TRADE RELATIONS

WASHINGTON--President Reagan and Japanese Prime Minister Nakasone have agreed to take steps to expand coal trade between the U.S. and Japan, according to a joint policy statement on energy cooperation issued in Tokyo, November 11, 1983. The statement was developed by the U.S.-Japan Energy Working Group and released by President Reagan and Prime Minister Nakasone after their meeting last week in Japan to discuss prospects for long-term cooperation between the two countries in energy trade--including coal, oil and natural gas.

The policy statement noted that, "taking account of the energy prospects for the entire Pacific Basin, the two countries agree that the sound expansion of U.S.-Japan energy trade will contribute to the further development of the close economic and energy security relationship which exists between the two countries."

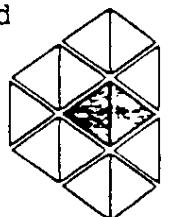
Coal industry representatives of the Coal Exporters Association (CEA) and the Western Coal Export Counsel (WCEC) expressed their satisfaction with the policy directives as outlined in the joint statement.

"The statement reflects the significant progress that has been made by the U.S.-Japan Energy Working Group which was established by the two countries' leaders in early 1983," according to Mark Joseph, Chairman of CEA and President of Anker Energy, Inc. "Our governments recognize that coal trade is of mutual benefit to both countries in terms of improved international relations, economics, and energy security. We view this agreement as a sound basis for the future expansion of steam and metallurgical coal trade with Japan."

"We are encouraged to learn that the private sector in both the U.S. and Japan will have a central role in fostering long-term cooperation between the two nations," said Pete Moore, President of the WCEC and President of Getty Minerals Marketing. "We look forward

National Coal Association
1130 Seventeenth Street, N.W.
Washington, D.C. 20036-4677

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to working with our Japanese counterparts in an effort to conclude long-term coal contracts and to jointly develop mines and transportation systems which will make U.S. coal more competitive in the Japanese market."

"The Japanese have acknowledged the importance of the United States as a major metallurgical coal supplier. We are particularly pleased that an agreement has been reached that will maintain levels of Japanese imports of coal and to learn that Japan does not expect that imports of U.S. coal will continue to decline, but will remain at least at the current level of this fiscal year--approximately 13.5 million metric tons," Mr. Joseph said.

"We are equally pleased that the Japanese have agreed to make every effort to purchase steam coal from the United States to meet future demand not already covered by existing contracts," Mr. Joseph added. This should mean that the United States will ultimately be a major supplier of steam coal to meet Japanese requirements.

As the first step toward carrying out the objective of the joint policy statement, a delegation of Japanese coal-using industry representatives will visit the U.S. in early 1984 to meet with representatives of major U.S. coal mining and transportation associations. As noted in the policy statement, "the purpose of this mission will be to explore the possibility of expanding coal trade between the U.S. and Japan, and the possibility of conducting a major study of the opportunities for reducing the delivered price in Japan of U.S. coal."

The CEA and WCEC will work together to organize and coordinate these meetings with the Japanese delegation.

The joint policy statement and the discussion of energy trade issues last week by Reagan and Nakasone and plans for future meetings are particularly encouraging in light of the decrease in U.S. coal exports to Japan in recent years.

The Japanese market for metallurgical coal has declined in the last year due to depressed steel market conditions. Japanese imports of U.S. met coal totalled 23.7 million metric tons (mmt) in FY 1981 and 18.7 mmt in FY 1982. Imports of U.S. metallurgical coal are not expected to exceed 13.5 mmt in FY 1983. Japan, which imports approximately 65 mmt of met coal per year, is expected to increase its total purchases of met coal only marginally over the next ten years due to lower world demand for steel, technological changes in steel making which result in a lower coal requirement, and shifts in steel production centers to developing countries.

In 1981, steam coal exports to Japan totalled 4.86 mmt, declining to 3.35 mmt in 1982. In 1983, steam coal exports are not

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expected to exceed 1.98 mmt. According to a recent study commissioned by the WCEC, the PACIFIC RIM STEAM COAL DEMAND OUTLOOK, the reduced demand is a result of 1) price-induced conservation, 2) the worldwide recession, and 3) structural changes in the Japanese economy as it moves from an industrial to a high technology economy.

The WCEC report estimates a 30-50% reduction from earlier forecasts of 1990 Pacific Rim steam coal demand--Japanese demand is projected at 21 mmt in 1985, and 28 mmt in 1990. Nonetheless, WCEC study director Phil Burgess emphasizes that "the Pacific Rim is still the world's most rapidly growing steam coal market. Even though price is a major barrier to increased U.S. exports, long-term commitments can help stabilize or even reduce these costs and increase the cost-competitiveness of U.S. coal."

"The Energy Working Group policy statement highlights the need to conclude long-term contracts to meet future steam coal demand," said Moore. "These long-term commitments will also help trigger investments and improve the efficiency of coal-chain arrangements on the U.S. side."

Studies are underway in Japan to examine the technical and economic aspects of steam coal projects and to explore the possibility of further increasing substitution of coal for oil in electrical generation.

NOTE: A JOINT NEWS RELEASE WAS ISSUED BY THE WCEC TODAY REGARDING THE U.S.-JAPAN ENERGY JOINT POLICY STATEMENT.

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